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ECONOMIC NEWSLETTER

Russian Research Center
Harvard University

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INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 7 MONTHS OF 1988

Product	Jan-July 1988	Jan-July 1988 as a % of Jan-July 1987
Electricity (billion kw hrs)	987	103%
Petroleum (million tons)	365	100.7
Natural Gas (billion meters^3)	443	106
Coal (million tons)	455	102
Steel (million tons)	95.3	101
Fertilizer (million tons)	21.8	104
Metal-cutting tools (thousand units)	12.7	103
Robots	*	*
Computer tech. (billion rubles)	3.5	114
Tractors (million hp)	30.3	100.4
Paper (million tons)	3.7	102
Cement (million tons)	81.3	102
Meat (million tons)	6.4	104
Margarine (thousand tons)	891	102
Watches (million units)	42.3	105
Radios (million units)	4.6	98
TV sets (million units)	5.5	109
Automobiles (thousand units)	761	98

* not published

LIVESTOCK HERDS

Herd	1986	1987	1988	%Change 86-87	%Change 87-88
Cattle	98.8	98.	97	99%	99%
Cows	29.3	29.	28.8	99%	99%
Hogs	62.	60.1	59.8	97%	99.5%
Sheep & Goats	139	138.4	140.6	99.5%	101.6%
Poultry	798.1	800.8	809.5	100%	101%

INDUSTRIAL PRODUCTION FIGURES FOR THE FIRST 7 MONTHS OF 1988

The good news is that the Soviets are publishing monthly statistics again. Readers of our August newsletter will note that we were worried that they would only publish statistical data on a yearly, semi-annually or quarterly basis. Let us hope this continues.

The bad news, however, is that the production results are not particularly encouraging. Of course, Gorbachev is trying to switch the emphasis away from basic industries to more sophisticated consumer goods, particularly food, but in terms of traditional industrial commodities, the results are rather dismal. For example, the production of petroleum, coal, and steel remained the same in July 1988 as it was in July 1987. There was no increase in output. It is true that the figures for the whole seven months show a 1-2% increase in those products, but if the month-by-month trend continues, these percentages should drop by December. Of equal concern is the fact that natural gas output for July 1988 was only 3% higher than it was a year ago. The seven month average shows an increase of 6%, so a drop to only 3% could signal some new difficulties. Electricity production for the whole seven months was approximately the same as the monthly rate. It rose

2.4% in July while for the whole 7 month period it rose 3%. The Soviets report that food output has increased, but they do not present the sales figures for July, so we have no way of knowing how sales in July compare with the year earlier. Nor do the Soviets provide any information about vegetable or fruit production.

They do list some other information about the quality of Soviet products. For example, they acknowledge that they received complaints on the quality of 1.3 million TV sets. That represents 27% of the total output of the first six months of 1988. For color TV sets, which have a tendency to catch fire, 30% of the sets produced were of poor quality.

Livestock herd size, according to figures provided for August 1, 1986 through August 1, 1988, indicate the drop in herd size over the last two years, particularly for cattle, cows and pigs. There is some improvement for sheep and goat herds, and for poul try, but again, the livestock situation is clearly not the best given the official effort underway to increase the availability of meat products for the consumer.

SOVIET OIL EXPORTS TO EASTERN EUROPE

As part of the new glasnost' policy, the Soviets are making available more information about exports. As we noted in the August newsletter, the Soviets now break down their oil exports into crude and refined product, and they are publishing physical quantities as well as ruble sales value. The largest importer of Soviet petroleum is the German Democratic Republic. Almost all of what it import is crude oil. Indeed, the East Germans import almost double what the West Germans import from the USSR, although the West Germans import almost twice as much refined product as crude. The Czechs are the second largest importers, followed by Poland.

The ranking in terms of natural gas is somewhat different. There Czechoslovakia is the largest importer, followed by Poland and the East Germans.

We have also listed Cuban imports to provide some measure of the burden the Soviets are bearing. It is worth noting that Soviet exports of crude and refined oil to Cuba dropped slightly in 1987 by almost 300,000 tons.

Another feature of the Soviet export profile is that with the exception of Rumania, the Soviet oil exports in 1987 were virtually the same as they were in 1986. That holds true for both crude and refined product. In the case of the Rumanians, imports of Soviet oil dropped from approximately 11.5 million tons in 1986 to 8 million tons in 1987, although natural gas purchases from the Soviet Union increased slightly.

SOVIET OIL IMPORTS

Now that the Soviets are making available their export-import volume figures we can also look to see how much petroleum the Soviet Union is importing and from where. While the Soviet Union imports considerable amounts of refined product from Eastern Europe, its main purchases of crude oil came from the members of OPEC. It is noteworthy, by the way, that the amount imported fluctuates significantly from year to year. Thus in 1986, Libya was the largest supplier to the Soviet Union of crude oil, but its exports dropped in 1987. In contrast, while Iraq exported only 3 million tons in 1986, that figure more than doubled in 1987. Similarly, Saudia Arabia exported almost 3 million tons in 1986, but nothing in 1987. Much of this change is due to the political situation in the Persian Gulf. Iran exported nothing in 1986 and a very small amount in 1987.

CORPORATE SPONSOR SEMINARS: JOINT VENTURE CONFERENCE

Our conference on joint ventures in the USSR and China is scheduled for October 3, 1988 and should be particularly interesting. Space is limited to 90 participants, so we recommend that applications be sent in before the 15th of September to guarantee acceptance. A program and application form are included with this newsletter. If you have any questions regarding the conference, contact Ms. Catherine Reed, Program Coordinator, at (617) 495-4038.

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SOVIET PETROLEUM AND NATURAL GAS EXPORTS TO THE EASTERN BLOC, CUBA AND NICARAGUA

	Petroleum Products (1000 tons)				Natural Gas (million cubic meters)	
	Crude Oil		Refined Product			
Country	1986	1987	1986	1987	1986	1987
Bulgaria	11,669	11,563	1,437	1,375	5,680	6,071
Czechoslavakia	16,900	16,990	366	368	10,190	10,641
GDR	19,351	19,801	107	153	7,034	7,002
Hungary	7,430	7,470	1,426	1,424	4,694	4,772
Poland	13,740	13,751	2,222	2,300	7,135	7,530
Rumania	6,444	4,691	5,009	3,551	2,510	3,264
Cuba	3,840	3,974	3,200	2,755		
Nicaragua	461	509	165	166		

USSR Foreign Exchange Quotations

Currency	6 July	13 July	20 July	27 July	3 Aug	10 Aug
£100 Sterling	105.13	106.01	105.07	108.17	107.56	106.80
100 Aust. sch.	4.85	4.82	4.77	4.81	4.77	4.73
$100 US	62.28	62.39	63.10	62.06	62.81	63.21
100 Fr. Francs	10.14	10.07	9.96	10.02	9.93	9.87
1,000¥ Japanese	4.62	4.68	4.67	4.73	4.72	4.72
10,000 Italian Lire	4.60	4.58	4.53	4.57	4.54	4.51
100 Swiss Francs	41.05	40.78	40.45	40.66	40.13	39.87
100 Deutsche Marks	34.18	33.89	33.55	33.82	33.41	33.25

RUSSIAN RESEARCH CENTER
of HARVARD UNIVERSITY
and the JOHN M. OLIN FOUNDATION

JOINT VENTURES IN COMPARATIVE PERSPECTIVE:

THE SOVIET UNION AND CHINA

October 3, 1988

Harvard Faculty Club

9:45 a.m. **BACKGROUND**

Debra Spar, Department of Government, Harvard University
"Early Joint Ventures in the USSR"

Jerome Jacobsen, President, Economic Studies and former Vice Chairman, Bendix Corporation
"The Bendix Experience: Lessons for the Future"

Kurt Campbell, Assistant Director, Center for Science and International Affairs, Kennedy School of Government, Harvard University
"The Soviet Experience: The Selling of Gold and Diamonds"

11:30 a.m. **THE LAW ON JOINT VENTURES**

Sarah Carey, Heron, Burchette, Ruckert and Rothwell
"Negotiating a Joint Venture Contract with the Soviet Union"

Jerome Cohen, Paul, Weiss, Rifkin, Wharton & Garrison
"Joint Venture Contracts with the People's Republic of China"

1:00 p.m. Luncheon

2:15 p.m. **JOINT VENTURES IN THE USSR**

Vladimir Yakovlev, Chairman, FAKT (a Moscow consulting firm which advises private entrepreneurs and cooperatives)

Henry L. Sweat, Vice President, Honeywell, Inc.

William Zolner, Vice President, Combustion Engineering

Frank Cutitta, Managing Director, International Market Sevices, IDG Communications (PC World joint venture)

James Giffen, President, Mercator Corporation

3:45 p.m. **JOINT VENTURES IN THE PRC**

Tan Feng, Office Administrator, Beijing Stone Group (joint venture with Mitsui)

Jack Dorgan, Vice President, Occidental Petroleum

Donald Sorterup and Ernest De Bellis, General Manager of International Operations and Director of Joint Ventures Foxboro Corporation

4:30 p.m. **PROSPECTS FOR THE FUTURE**

Marshall I.Goldman, Associate Director, Russian Research Center, Harvard University and Professor of Economics, Wellesley College

4:45 p.m. Adjourn

RUSSIAN RESEARCH CENTER

OF HARVARD UNIVERSITY
and the JOHN M. OLIN FOUNDATION

JOINT VENTURES IN COMPARATIVE PERSPECTIVE: THE SOVIET UNION AND CHINA

OCTOBER 3, 1988

Harvard Faculty Club
20 Quincy Street
Cambridge, MA 02138

Name: _____

Title or Position: _____

Company or Publication: _____

Mailing Address: _____

City: _____ State: _____ Zip Code: _____

Business Phone ( ) _____ Home Phone ( ) _____

Registration Fee: $200

Registration fee must be paid in advance. All checks should be made payable to The Russian Research Center. Russian Research Center affiliates are invited to attend the conference, but must register in advance.

Hotel Reservations:

Please indicate below if you would like us to make hotel reservations for you. A letter of confirmation will be mailed to you indicating the location and the nightly rate. The Russian Research Center will not guarantee rooms for participants.

Date (s): _____

Single ( ) Double ( )

Return application and registration fee to:

Catherine Reed
Russian Research Center
1737 Cambridge Street
Cambridge, MA 02138

For information:

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